



Llywodraeth Cymru  
Welsh Government

# Sustainable Management Scheme – Supporting Natura 2000 Restoration

## Guidance Notes



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**Cover Page – Fen Orchid (*Liparis loeselii*) at Kenfig NNR, Bridgend  
(photograph Mark Blackmore)**

## INTRODUCTION

1. These guidance notes explain the **Sustainable Management Scheme – Supporting Natura 2000 restoration (SMS – N2K)** delivered over the 2020/21 financial year and the kind of projects that may qualify for grant aid. Please read it carefully. If you then consider your project plans may qualify for grant and you want to apply for support under this scheme, please submit a completed application form using the email address at Paragraph 114. On receipt of your application, your project will be appraised and scored against eligibility criteria. If successful, you will be offered a grant subject to the approval of your project with all the supporting documentation.
2. The SMS – N2K is funded by the Welsh Government and aims to support landscape-scale capital investment delivering action to improve the condition of Natura 2000 sites. More specifically, actions to improve:
  - a) natural resources in a way that delivers wider benefits to surrounding communities and landscape;
  - b) biodiversity and,
  - c) ecosystem resilience to climate impacts.
3. The SMS – N2K will support the delivery of the Welsh Government’s commitment to sustainable development as set out in the Well-being of Future Generations (Wales) Act 2015<sup>1</sup>, and delivers directly against the Environment (Wales) Act 2016<sup>2</sup> (The Act), that is enabling Wales’ resources to be managed in a more proactive, sustainable and joined-up way.

## POLICY CONTEXT

4. The SMS – N2K draws on the Welsh Government’s Natural Resources Policy<sup>3</sup> which illustrates the key challenges and priorities for the sustainable management of natural resources. Action on these priorities will help support building the resilience of our ecosystems and deliver across the key challenges identified. The National Nature Recovery Action Plan<sup>4</sup> provides context on how of Natura 2000 sites are key in safeguarding species and habitats of principal importance. It is also essential that any actions funded through this grant can be optimised, where applicable, to support the Welsh Government’s ambitions through its programme for government<sup>5</sup> and deliver opportunities for environmental growth.
5. [ANNEX A](#) sets out the key areas of these policies to consider when applying for this grant.

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<sup>1</sup> <https://gov.wales/well-being-future-generations-act-essentials>

<sup>2</sup> <https://gov.wales/environment-wales-act-2016-factsheets>

<sup>3</sup> <https://gov.wales/natural-resources-policy>

<sup>4</sup> <https://gov.wales/nature-recovery-action-plan-2015>

<sup>5</sup> <https://gov.wales/programme-government>

## PURPOSE OF FUNDING

*This section of the guidance sets out what Welsh Government is aiming to achieve through providing the grant funding.*

6. Wales' natural resources are among our most valuable assets. They are as fundamental to the long-term success of our economy as they are to the quality of our natural environment and the well-being of our communities.
7. The need to tackle inter-generational challenges, such as climate change and declining biodiversity, means that interventions and actions need to be undertaken to enable Wales to grow, to improve resilience and to manage our natural resources sustainably. The restoration, preservation and improvement of biodiversity within Natura 2000 sites<sup>6</sup> and the wider surrounding landscape and associated connectivity including areas of high nature farming is a critical element to ensure these needs are met.
8. Wales has 21 Special Protection Areas for vulnerable birds and 95 Special Areas of Conservation for other rare species and threatened or representative natural habitats. Together they are known as Natura 2000, and along with areas across Europe, they form an unparalleled network of international importance for nature conservation. Wales' Natura 2000 network covers more than 700,000 hectares (8.5% of Welsh land area and 35% of territorial waters). Looking after these sites is integral part of helping to achieve the sustainable management of our natural resources across Wales, these sites: –
  - Provide a vital sanctuary and high level of protection to 69 species and 55 habitats which are internationally threatened
  - Contribute significantly to the Welsh economy through tourism, recreation, farming, fishing, and forestry
  - Provide essential life support services for all of us, such as purifying our drinking water and storing carbon
  - Show us nature at its best, giving enjoyment to millions of visitors every year
9. [ANNEX B](#) is a map of the Natura 2000 sites.
10. The SMS – N2K is specifically aimed at supporting action to help improve biodiversity across the Natura 2000 network and its surrounding areas. In line with the Welsh Government policy on Natural Resources these sites are not managed in isolation but seen as part of the wider landscape and vital in helping to achieve resilient ecosystems.

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<sup>6</sup> <https://cdn.naturalresources.wales/media/676202/life-n2k-facts-and-figures-report.pdf?mode=pad&rnd=13147439378000000>

11. The Welsh Government recognises; through a range of programmes and schemes delivering the sustainable management of natural resources; a gap exists in this provision for associated capital investment to take forward existing or developing plans to improve biodiversity at a landscape scale. This is particularly true in improving the ecological and economic sustainability of Natura 2000 sites and the landscape in which they are located. It is important to ensure that the surrounding area such as the river catchment, the surrounding moorland, the estuary or adjoining shoreline are also improved to increase resilience to the natural resources and connectivity for biodiversity for the whole of the Natura 2000 network.
12. Our land, our seas and the way we manage it can also play a significant role in mitigating climate change. Working to enhance this contribution through the sustainable management of our natural resources will help us to meet our statutory target to achieve a 95% reduction in Welsh greenhouse gas emissions by 2050. Capital projects should explain how the actions mitigate and implement adaptations for climate change<sup>7</sup>, support biodiversity and improve resilience.
13. Projects will also need to show a good understanding of the opportunities and challenges of the local area covered by the project. This knowledge will need to be gained through the collaborating parties, local evidence sources, Natural Resources Wales' Area Statements<sup>8</sup>, N2K Core Management Plans and Prioritised Improvement Plans (PIPS) for N2K sites will provide guidance during the operational delivery of the projects. Engagement and involvement of local communities is also essential. The SMS – N2K aims to encourage new innovative approaches that will help the longer term management of natural resources to achieve sustained benefits in these protected areas and the communities within the surrounding area.
14. Larger collaborative applications may include collaborators currently signed up to Glastir Advanced or Glastir Small Grants. These collaborators will be undertaking activities at farm level which will contribute to the overall aims of the sustainable management of natural resources. Where this is the case, projects will need to ensure clear separation of accounting to avoid risk of double funding.
15. Similarly projects could apply for funding to be used to deliver further capital investment recommended by, or complimentary to, but not reliant on, other schemes. These may include, but not limited to social-economic schemes of the Welsh Government Rural Communities - Rural Development Programme 2014-2020, such as the Sustainable Management Scheme<sup>9</sup>, Enabling Natural Resources

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<sup>7</sup> <https://gov.wales/prosperity-all-climate-conscious-wales>

<sup>8</sup> <https://naturalresources.wales/about-us/area-statements/?lang=en>

<sup>9</sup> <https://gov.wales/sustainable-management-scheme>

and Wellbeing<sup>10</sup>, Sustainable Production Grant<sup>11</sup> or Timber Business Investment Grant<sup>12</sup>.

16. It is an important requirement for all projects funded through the SMS – N2K to be able to provide mapping data of the proposed project activities within the project plan. These should be compliant with industry standards. This is to ensure there is due diligence on duplication of funding. The SMS – N2K is designed to complement and work alongside Glastir funding opportunities without mutual reliance. Whilst Glastir targets a variety of outcomes on a farm holding basis, SMS – N2K can be used to allow connectivity to Natura 2000 sites complementary to these local efforts so that the combined schemes are able to deliver a larger scale landscape impact.
17. This is only an outline to the scheme and the way it is operated and the detailed rules for eligibility criteria may be subject to change.
18. Examples of activities that will be considered include:
  - Actions to address habitat fragmentation including habitat creation, restoration and connectivity both on N2K sites and the surrounding landscape or sea area
  - Collation of evidence to inform further action
  - Better understanding of and improvements to the hydrological functionality of a N2K site and the surrounding catchment
  - Disease risk control, biodiversity measures
  - Invasive species control
  - Woodland creation, tree felling
  - Water quality improvements, run-off, sediment and erosion control, dredging
  - Conservation translocation, predator control
  - Cutting, mowing, grazing
  - Channel modification
  - Footpath repair
  - Purchase of capital equipment
19. This is not an exhaustive list. Further guidance related to the types of activities that can be undertaken is at [ANNEX C](#).

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<sup>10</sup> <https://gov.wales/enabling-natural-resources-and-well-being-scheme>

<sup>11</sup> <https://gov.wales/sustainable-production-grant>

<sup>12</sup> <https://gov.wales/timber-business-investment-scheme>

## WHO CAN APPLY

*The following section sets out who can apply, eligible and ineligible activities and maximum and minimum grant allowed under this scheme.*

20. This scheme is open to applications from SMEs<sup>13</sup> and large businesses, education or research establishments, charities, farmers, foresters, community or voluntary groups (inclusive of all non-government organisations). This includes associations of owners and community woodlands, trusts, national park authorities and local authorities.

## ELIGIBLE ACTIVITIES

21. **Development and Planning** to directly take forward capital activities to improve Natura 2000 sites for the sustainable management of natural resources, improvement of ecosystem services and mitigation of and adaptation of climate change.

22. **Actions (preferably collaborative)** undertaken to improve Natura 2000 sites with a view to mitigating or adapting to climate change and/or co-ordinated, landscape-scale, land or marine management activities for the sustainable management of natural resources and delivery of ecosystem services and multiple benefits.

23. **Research, technical advice and feasibility studies** – It is important to ensure that the right activity is located in the right place to have the best results. Therefore modelling, technical advice and feasibility studies are eligible for funding providing they are directly supporting the capital investment.

24. **Monitoring and Asset Assurance** – activities to demonstrate the outputs and potential outcomes of the capital investment, by monitoring the impacts, ensuring a baseline assessment is in place before action is taken and measuring the subsequent changes. The cost of an independent, asset assurance or impact assessment on the outputs of the capital activities is an eligible activity.

## INELIGIBLE ACTIVITIES

25. There are a number of activities and investments that are not eligible for aid under this measure:

(a) Payments to owners, farmers or foresters for capital works they have carried out on their own land, with the exception of 26(e).

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<sup>13</sup> [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)



- (b) Payments to landowners, marine managers, farmers or foresters for ongoing land or marine management activities, with the exception of 26(e).
- (c) Investment in the primary production of agricultural or timber products. Such as actions that would be eligible for funding under the Sustainable Production Grant Scheme (SPGS) or the Timber Business Investment Scheme (TBIS), with the exception of 26(e).

## ELIGIBLE COSTS

### 26. Capital Costs

Support under SMS – N2K can cover tangible assets such as, contracted land management<sup>14</sup>, machinery and equipment and intangible assets such as computer software, and licences and technical and consultancy fees:

- (a) The purchase of items associated with land management activities, such as trees, hedge plants, fencing and capital works items required to deliver the outcomes.
- (b) General costs incurred in installing the capital works, which include contractor costs for labour and use of equipment.
- (c) Based on precedents set through the ESF and ERDF programme, approx. 10% of the total award to an organisation can be used to manage/administer the project from within the capital allocated.
- (d) The purchase of machinery and equipment up to the market value of the asset.
- (e) Where the machinery or equipment is deemed as having primary productive value or as an asset for a beneficiary company, organisation or individual whose core income is primary production (forester, farmer, fisherman) the assets are deemed as de-minimis funding. The eligibility of this asset must be compliant with de-minimis. These items must not exceed relevant de-minimis limits or more than 20% of the requested grant. The section on state aid below gives more information.
- (f) Acquisition or development of computer software and acquisitions of patents, licenses, copyrights and trademarks.
- (g) Consultant's and architect's fees, other technical design costs, site surveys and professional fees such as fees related to environmental and economic sustainability; planning application fees and costs; fees incurred for statutory permissions, licences and consents are also eligible even if they have been

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<sup>14</sup> This is a valid guide to good procurement practice: [https://gov.wales/sites/default/files/publications/2018-09/rural-development-programme-2014-2020-technical-guide-competitive-tendering-and-public-procurement\\_0.pdf](https://gov.wales/sites/default/files/publications/2018-09/rural-development-programme-2014-2020-technical-guide-competitive-tendering-and-public-procurement_0.pdf)

completed and paid for prior to approval; provided they are essential for the delivery of the capital project.

27. [ANNEX E](#) provides guidance on capital costs.

## INELIGIBLE COSTS

28. The following items or types of expenditure are **not eligible**;

- a) revenue costs for the administration of setting up and running a collaborative group.
- b) revenue costs to support the communication of the activities.
- c) general staff costs and rent for premises outside the capitalised project management costs.
- d) the purchase of land.
- e) the purchase of buildings.
- f) the purchase of cars, vans, motorcycles, bicycles and any other form of personal transport (for whatever purpose).
- g) the purchase of vehicles for external transportation (such as lorries, buses, vans, minibuses or any other kind of vehicle used to transport goods or people).
- h) payments to land managers for undertaking activities on their land.
- i) recurring management payments to land managers for ongoing land management.
- j) any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor.
- k) temporary works not **directly** related to the execution of the project.
- l) maintenance costs for existing buildings, plant or equipment.
- m) like for like replacement.
- n) costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges.
- o) costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc..
- p) overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms.
- q) notional expenditure.
- r) payments for activity of a political nature.
- s) depreciation, amortisation and impairment of assets purchased with the help of a European grant.
- t) provisions.
- u) contingent liabilities.
- v) contingencies.
- w) dividends to shareholders.
- x) interest charges (unless under an approved state aid scheme).

- y) service charges arising on finance leases, hire purchase and credit arrangements.
- z) costs resulting from the deferral of payments to creditors.
- aa) costs involved in winding up a commercial company.
- bb) payments for unfunded pensions.
- cc) compensation for loss of office.
- dd) bad debts arising from loans to employees, proprietors, partners, directors, guarantors, shareholders or a person connected with any of these.
- ee) payments for gifts and donations.
- ff) personal entertainments (including alcohol).
- gg) statutory fines and penalties.
- hh) criminal fines and damages.
- ii) legal expenses in respect of litigation.
- jj) reclaimable VAT.

## **MAXIMUM GRANT RATE AND MAXIMUM GRANT THRESHOLD**

29. The grant amount is the total public sector contribution to the funding of the project funded from Welsh Government;

If other EU or UK public funds are obtained to support the costs of a project they will be discounted against the grant awarded.

30. The maximum grant threshold per enterprise for any individual project is **£4,000,000**.

31. The minimum grant threshold per enterprise for any individual project is **£10,000**

32. As a guide, Welsh Government would expect for projects to be submitted requesting between £50,000 and £500,000.

33. The maximum grant rate is 100%

## **STATE AID**

34. The SMS-N2K is funded by the Welsh Government and designed to deliver capital works for public good. For these activities it is analogous to the Sustainable Management Scheme (SMS) under Measure 16 (Article 35 of Regulation (EU) 1305/2013) of the Welsh Government Rural Communities - Rural Development Programme 2014-2020. In this regard the SMS – N2K will be delivered on a No Aid basis with the exception of:

35. Where actions are deemed state aid but undertaken on protected sites (e.g. Natura 2000, National Nature Reserve, SSSI, National Park); GBER Welsh Government -

Culture and Heritage Conservation Scheme, State Aid reference no: SA.49637<sup>15</sup> may be applied. These activities should add value to the outcomes and benefits of the project but not be mandatory to the delivery of the actions delivered on a no aid basis.

36. Where there is the potential for activity to be ‘economic’ in nature it should be possible to provide support via the industrial or agricultural de-minimis regulation. Where the asset holder is in the agricultural sector the eligibility of this asset must be compliant with Commission Regulation (EU) No 1408/2013<sup>16</sup> and the associated amendment - Commission Regulation (EU) 2019/316<sup>17</sup>. These items must not exceed relevant de-minimis limits or more than 20% of the requested grant. For all other asset holders the eligibility of this asset must be compliant with Commission Regulation (EU) No 1407/2013<sup>18</sup>. The activity should add value to the outcomes and benefits of the project but not be mandatory to the delivery of the other actions.
37. Each grant applicant should undertake their own assessment in relation to state aid to identify risks and coverage, based on the activity and the models of delivery that they propose. This assessment should be included in the state aid assessment section of the application form.
38. The state aid treatment of the activities undertaken will be included as a schedule of the Grant Offer Letter.

## SELECTING SUCCESSFUL PROJECTS

39. Selection of projects will be done through a competitive application process. Detail of the proposed project shall be submitted as an application utilising the application form provided. The timetable for the closing date for the competitive window are set out in paragraph 64. This will be a competitive process.
40. The applicant’s status as a legal entity will be assessed through a due diligence process. Any application of any applicant that does not meet the due diligence minimum requirements for funding will not be assessed
41. The applications will be assessed and scored in line with the criteria set out in paragraphs 58-61 and detailed in [ANNEX D](#). Projects that score above the funding threshold will be ranked. The successful projects will be selected from the highest ranked projects down until the total grant funding available is reached.

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<sup>15</sup> <https://gov.wales/sites/default/files/publications/2019-06/171130-gber-culture.pdf>

<sup>16</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1408>

<sup>17</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R0316>

<sup>18</sup> <http://www.legislation.gov.uk/eur/2013/1407>

42. This first tranche of successful projects will be invited to accept the offer of a grant and provide a finalised delivery and financial information for the grant offer letter schedules within 14 days of the notification.
43. Following the 14 days from notification the offer will expire if not accepted. Any remaining funding after this period will be offered in a second tranche to the next highest scoring projects until the funding total is reached or until all projects scoring over the funding threshold has been reached. The second tranche will be subject to the same 14 day condition to accept the grant offer.
44. The greater the importance and contribution that the project can make to the appropriate policy priorities and the selection criteria the more likely to score well.
45. Projects that are able to show match funding or ‘in kind’ support or commitment from participants. This will be considered to be part of the project but may not be included in the eligible cost calculation.
46. The project plans of successful projects accepting grant offers will be reviewed in line with para 41. This is not a competitive process, however the applicant will be expected to provide all the necessary information and assurances before a grant award letter is issued.

## **KEY REQUIREMENTS**

47. The period for support for a project is for the 2020/21 financial year.
48. That the project would not proceed without grant assistance.
49. That the amount of grant being asked for is the minimum gap funding necessary for the project to go ahead.
50. Applications must also demonstrate that the following have been addressed:
  - a) outline planning permission has been obtained, where required;
  - b) all other consents, licences and permissions have been granted or evidence that they will be in place where and when required;
  - c) for existing organisations or associations the economic viability of the project and the organisation, through the provision of accounts for three consecutive years immediately preceding the date of the second stage full application and financial forecasts for the period of the project. New organisations or associations will be required to supply full details about the background and experiences of the directors along with other evidence necessary to validate the project proposals;
  - d) compliance with UK and EU Law on equal opportunities and projects should promote and encourage equal opportunities and combat social exclusion;

- e) compliance with minimum standards and legislative requirements regarding the environment, hygiene, animal welfare and health and safety standards; where appropriate and/or necessary;

## CROSS CUTTING THEMES

51. You will be required to explain how the proposed project will contribute to each of the following areas:

- Equality of Opportunity and Gender Mainstreaming;
- Sustainable Development;
- Tackling Poverty and Social Exclusion;
- Promotion of the Welsh Language; and
- Children's Rights

52. The cross cutting themes are intended to add value, raise awareness and understanding while ensuring maximum participation and mitigating adverse impacts.

## HOW TO APPLY

### APPLICATION PROCESS

*The following section sets out the application process from the development of your project idea, what needs to be included in a grant application, through to the assessment and award process.*

### Developing your ideas

53. Proposals will need to identify how and why the project will improve the Natura 2000 site and clearly state the evidence and rationale that has shaped the identified activity. Evidence of need may be identified from a number of sources, **including but not limited to:**

- Specific Natura 2000 site action plans
- Marine Protected Area Network Management Action Plan<sup>19</sup>
- [Lle – A Geo Portal for Wales<sup>20</sup>](#)
- [Area Statements and talking to local NRW officers.](#)
- [SoNaRR](#)
- [Local Environment Record Centres Wales](#)
- NBN Atlas Wales

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<sup>19</sup> <https://gov.wales/marine-conservation-biodiversity>

<sup>20</sup> <http://lle.gov.wales/catalogue/item/ProtectedSitesSpecialAreasOfConservation/?lang=en>  
<http://lle.gov.wales/catalogue/item/ProtectedSitesSpecialProtectionAreas/?lang=en>  
<http://lle.gov.wales/catalogue/item/SACSPAMonitoringProgrammeResults/?lang=en>

- [i-Tree Eco](#)
  - ONS [Open Geography](#) Portal
  - National datasets in relation to specific issues (e.g. flooding)
  - Wider local longer term plans, knowledge and the priorities within them (e.g. Biodiversity Action Plans, Green Infrastructure plans etc.)
54. The Welsh Government has collated, on [Lle](#), key spatial information which can be used to help in evidencing applications.
55. The applicant will be expected to have had discussions with relevant NRW Officers to ensure that the planned project delivers against site specific priority actions. The following email address will be the first point of contact for applicants seeking support and guidance from NRW:

[sitesactions@cyfoethnaturiolcymru.gov.uk](mailto:sitesactions@cyfoethnaturiolcymru.gov.uk)

### **What your application should contain**

56. The information provided under each of the headings form an important part of the selection criteria that will be used in the assessment and appraisal process from which a decision can be taken about the award of grant assistance to the project.
57. Application templates have been provided and include the following headings and responses to each section will be subject to a word limit.

### **CRITERIA THAT ARE SCORED**

#### **58. Criterion 1: Demonstrable benefits to an N2K site**

Applicants are required to provide a brief explanation of:

- The location of the proposed activities and the N2K site(s) that the actions support
- What is needed to support the N2K site that isn't able to be funded elsewhere
- The list of actions, capital works, capital purchases required
- How and why these actions will deliver improvement to the N2K site (include here evidence of need and assurance that the project does not duplicate existing provision);
- Where actions are proposed outside the extent of an N2K site how the actions will support the resilience and connectivity of the site.
- How any actions mitigate or offer adaptation to climate change
- What the expected outputs/outcomes and eventual benefits of these actions will be.

Whilst it is important that the environmental benefits to improving the condition of the Natura 2000 site are paramount, this may also include socio-economic benefits e.g. improving accessibility, action to increase economic sustainability, educational or wellbeing capital assets (such as interpretation boards).

## 59. Criterion 2: Project Expenditure and Value for Money

In this section applicants should explain how the project's activities will deliver value for money. The applicant should explain how the costs of the project are considered to be reasonable taking into account the scope, scale and timescale of the proposals. An excellent proposal would show how costs have been determined to be reasonable by reference to quotation exercises; standard costs from previous activities; industry comparisons such as QS tables or an independent technical analysis. Please provide evidence of intention to undertake quotation exercises. Where appropriate show how different options for the achievement of the project objectives have been considered and explain how and why the chosen option was decided. It is important that when working within Natura 2000 sites both the site manager/owner and NRW are involved in this process to ensure that the project will effectively delivery against at least one of the known priorities for the site.

Your proposal should include:

- a breakdown of all the costs associated with the project using the templates provided.
- any wider match funding contributions from partner organisations;
- an explanation of how the costs of the project are considered to be reasonable (taking into account the scope, scale and timescale of the proposals);
- clearly identify capital costs in line with the limitations set out in this guidance;
- the mechanisms for distributing grant funding for project delivery
- confirmation that the activities add to and do not displace/unnecessarily duplicate existing activities
- confirmation that the activities are not already funded by another source. (Dual funding).

For its project grants, Welsh Government allows for costs to be included on a full cost recovery basis in line with Welsh Government's [Third Sector Scheme](#).

Further guidance on full costs recovery (including appropriate models for calculating a fair contribution to overheads) can be found at:

[Full Cost Recovery: a guide and toolkit on cost allocation](#)



## 60. **Criterion 3: Ability to deliver within the timeframe and utilising capital funds**

You will need to provide an explanation of:

- viability of the lead applicant.
- legal compliance.
- financial viability of project, including the exit strategy.
- project management arrangements.
- who are the key delivery partners/collaborators.
- support and commitment of all collaborators.
- the governance arrangements.
- the project management arrangements what you need to put in place to deliver the project; and a timetable of delivery for your project.
- all necessary permissions and consents that have been/will be obtained.
- risks that might affect the project and the outcomes.
- what the expected outcomes/outputs and eventual benefits of these actions will be and how you will monitor and evidence these.

### Example Risk Table

<b>What is the risk?</b>	<b>What is the likelihood of it happening?</b>	<b>What the consequences to the project would be if it did happen?</b>	<b>What might avoid it happening or, how might the effect be reduced?</b>
Loss of key staff	Medium	Loss of experience or skills.  Impact on ability to deliver project.	Staff training to ensure resilience.
Dispute and conflict between partners	Medium	Partners failing to agree and collaboratively deliver outputs and outcomes	Regular dialogue on shared goals. Dispute procedure developed.

Your proposal will need to set out the monitoring arrangements for your project including:

- how you will monitor direct outputs;
- how you will measure and evidence your identified outcomes and cross disciplinary benefits, including economic, social, environmental and cultural impact and success
- proposals for how you intend to assure any assets created and undertake an assessment of the impact of the activities on an N2K site and connective landscape; and
- the link between this monitoring and asset assurance and any additional evaluation activity (outside the scope of this capital grant).

These should be proportionate to the size of the grant being requested and should apply a range of methods appropriate to delivery, spanning both formative and summative approaches so that lessons learnt are applied during the project.

Also, if your project will:

- a) affect a Site of Special Scientific Interest, Ramsar Convention Site, Special Protectoin Area for Birds or Special Area of Conservation, please provide details identifying the areas concerned and any required compliance actions undertaken or to be undertaken (for example, Habitiat Regulations Assessment where required, Appropriate Assessment where required)
- b) affect species protected under The Conservation of Habitats and Species Regulations 2017 or the Wildlife and Countryside Act 1981, please provide details identifying the areas/species concerned and compliance actions undertaken or to be undertaken (for example, licence application(s)).
- c) require any other wildlife or habitat permissions obtained please provide details.

#### 61. **Criterion 4: Adopting the principles of sustainable management of natural resources (SMNR)**

The application needs to demonstrate how it has applied the principles of SMNR to the design and delivery of the proposed activity and can clearly demonstrate consideration of the principles in design of the project. The aim of SMNR is to maintain and enhance the resilience of ecosystems and the benefits they provide and, in so doing, meet the needs of present generations of people without compromising the ability of future generations to meet their needs.

You will be assessed on how your project proposal will meet the following 3 principles of SMNR of particular importance for this capital funding:

- a) Improving the resilience of ecosystems is a core aim. The application should set out how their project takes account of the **resilience of ecosystems**, in particular:
  - Diversity within and between ecosystems
  - The connections between and within ecosystems
  - The scale of ecosystems
  - The condition of ecosystems
  
- b) Taking account of the **benefits** and intrinsic value of natural resources and ecosystems. Healthy ecosystems lead to a number of environmental, social and economic benefits. It is important for projects to set out how they are going to take action to improve natural resources and the benefits they provide. Particularly in the local context.
  
- c) Take account of the **short, medium and long-term consequences** of actions. The project will need to consider how these improvements will be sustained after the project funding ends.

In addition to the assessed criteria all applicants are asked to consider

## **Cross Cutting Themes**

62. The application will need to show the project's actions can be optimised where applicable to contribute to each of the following areas:

- a) Equality of Opportunity and Gender Mainstreaming.
- b) Sustainable Development.
- c) Tackling Poverty and Social Exclusion.
- d) Promotion of the Welsh Language.
- e) Children's Rights.

## **State Aid**

63. You will be required to set out the position of the project in relation to state aid. The nature of the funding for specific projects will require a project by project assessment of the nature of the aid. This will be agreed and controlled through a specific schedule of the grant offer letter for successful projects.

## APPLICATION ASSESSMENT AND GRANT AWARD PROCESS

### Times and deadlines

64. The timetable for the window opening for applications for the SMS – N2K and subsequent assessment is set out below:

Activity	Timing
Window for grant proposals open	07 July 2020
Applications submitted (5 week window)	10 August 2020
Notifications to applicants issued	22 September 2020
Due diligence and state aid checks	22 September 2020
New grants commence	From September 2020

65. **You must not start any work until you have received written confirmation from the Welsh Government and have signed the grant offer letter. Any projects which breach this rule will not be considered for a grant.**
66. Subject to the requirements of the Welsh Government’s Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004: **all information given to the Welsh Government will be treated in strict confidence. You should be aware that if successful, the Welsh Government reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.**
67. You may use a consultant to prepare your application if you wish **but the application form must be signed by you and not by the consultant. It is your responsibility to ensure that the application is correctly completed and that the information provided in support of your project is accurate.**
68. When you submit the application form, the Welsh Government will acknowledge its receipt. If a project is ineligible, you will be told this as soon as possible. If an application is eligible, it will be subject to a technical appraisal of its ability to improve a Natura 2000 site. When the appraisal is complete, support for the application will then be evaluated against the extent to which it meets the eligibility criteria, as described in paragraphs 58-61.

## Assessment panel

69. Members of a panel consisting of both Welsh Government and NRW officials will assess the quality of the applications received and allocate a score to them. We will contact you where we require additional information or clarification, or should we wish to meet with you to discuss your application further. The assessment panel will undertake moderation to agree consensus scores for each grant application.
70. Applications will be assessed and scored against the criteria as attached ([Annex D](#))

There are three possible outcomes:

- a) Your project is not eligible for the grant. Applicants will be told as soon as possible.
  - b) Your project is eligible and is approved for an award.
  - c) Your project is eligible but is not approved for an award. This means that the applicant is eligible for award and the project application scores above the quality threshold but following the assessment and award process the funding available can only support higher scoring projects.
71. Projects are approved for an award on a ranked order based on the assessment against the eligibility criteria. The Scheme will operate the award of successful projects on a tranche system. The first tranche of projects will receive an invitation to accept the award offer within 14 days.
72. Please note that during this 14 day period due diligence checks will be made. Welsh Government will require a minimum of the lead organisations'/applicant's last two years accounts, or in the case of smaller charities the last 3 months bank statements, to enable us to check financial viability. We will formally request these when required. During this period the grant offer letter is also finalised with the detailed project information to be included in the grant offer letter's schedules.
73. If the applicant does not confirm intention to proceed or fails to provide sufficient evidence and information for due diligence, legal eligibility or to enable the grant offer letter to be completed they will not be offered a grant. At this time a second tranche of projects will be invited. This will continue until the total grant available has been reached or the minimum scoring threshold for grant support has been reached.
74. If following the trached approach to awarding grant the application is not successful; applicants will be notified. Applicants may apply again should a subsequent window open, with the same project (amending the application if required) **but only if they have not started work.**
75. If your proposal is unsuccessful and you wish to receive feedback, please contact the Grants Management Team (see section below).

76. Successful applicants who have confirmed within 14 days that they wish to proceed and provided the requested additional information will be sent a grant offer letter. They must sign and return this letter within 7 days of receipt for funding to commence.
77. Delivery of activity under this scheme can commence from September 2020.

### **CONDITIONS OF GRANT**

78. The SMS – N2K is subject to a range of relevant legislation (see separate guidance on Welsh Government grants<sup>21</sup>). Both the Welsh Government and the applicant/recipient must act in accordance with that legislation.
79. The offer of a SMS –N2K grant is made subject to terms and conditions, including those set out below. **Failure to meet the terms and conditions of the award could result in the cancellation of an award and/or the recovery of sums already paid, or a reduction of the amount of grant payable.**

#### **Conditions:**

80. Acceptance of the grant **awarded** must be made within seven working days of the date on the grant offer letter. This takes the form of returning a signed copy of the grant offer letter.
81. The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence.

#### **The making of false or misleading statements is an offence.**

82. You must not begin any work on the project without first obtaining written authority to do so from Welsh Government.
83. You must meet any legal obligations imposed under EU and UK law, including hygiene legislation.
84. No alterations may be made to the project, including the location of the activity, without the written approval of Welsh Government.
85. No equipment and/or buildings purchased with grant aid must be disposed of, transferred or sold without the prior written consent of Welsh Government during the project delivery and for five years from the project end date.
86. The applicant is required to comply with the rules on eligible expenditure as set out in paragraphs 20-38.

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<sup>21</sup> <https://gov.wales/welsh-government-grants-guidance>

87. Claims must be submitted in the correct format and accompanied by all necessary documentation. If not, they will not be accepted and will be returned to the claimant.
88. Claims must be submitted in accordance with the agreed timetable. You cannot change the agreed timing and value of your claims without written agreement from Welsh Government.
89. The first claim must be submitted within six months of the project start date. If the first claim is not made within this period the grant offer will be automatically terminated.
90. Projects should be completed within the timetable agreed with Welsh Government. You cannot change this without written agreement from Welsh Government.
91. You must confirm that none of the items covered by the application are replacements under an insurance claim.
92. You must provide confirmation that no other public funding (whether from EU or UK sources) has been sought.
93. Any publicity given to the project must make reference to the part played by Welsh Government in funding it.
94. Records concerning the activity of the business and the delivery of the project, including all original invoices and other related documents such as competitive tenders or quotes, must be retained for at least seven years after the project end date as stated in the grant approval letter.
95. You must allow representatives of Welsh Government, the Auditor General for Wales or the Audit Commission to inspect the project. On request, you must provide them with information and/or access to original documentation in relation to the project.
96. The information provided in the application and any supporting documentation is subject to the requirements of the Welsh Government's Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

## **PAYMENT OF GRANT**

### **Claims**

97. You may make interim claims during the period of the project. Guidance notes on how to claim will be issued when the award is confirmed and subsequently the claim is invited. Claims will only be paid when the Welsh Government is satisfied the relevant expenditure has taken place and that the work has been completed according to plan. Payment will be made by electronic transfer to your bank account.



98. Final claims for payment of grant should be submitted as soon as possible after the physical work on the project has been completed. All capital items purchased or work to be claimed must have been completed by 31 March 2021. All final claims must be received no later than 18 April 2021 in order for Welsh Government to be able to meet the payment. Failure to submit claims may result in the grant paid to date being recovered.
99. During the lifetime of the grant, when claims are submitted, they may be scrutinised to ensure expenditure is eligible and in line with that approved in the original application. On completion of the physical works, the project site will be visited and a detailed assessment of the project undertaken. The information that will be required at the visit includes; original invoices, serial/plant numbers, Building Regulations completion certificate (where appropriate), Health & Safety system including risk analysis, Fire Risk Assessment documents in accordance with the Regulatory Reform (Fire Safety) Order 2005, habitat impact assessments, environmental impact assessments, pest control records and any other statutory control records that are required to be maintained by the enterprise. The release of grant will be conditional upon adequate progress having been made.

### **Incorrect claims and penalties**

100. You have a responsibility to make sure that each claim submitted is arithmetically correct; that all actual costs are evidenced as defrayed expenditure (the payment has gone from the bank account); that all the items and costs are eligible and that the claim is on time.
101. If the claim is incorrect then the claim will be reduced to the amount that is eligible and the grant to be paid will be calculated accordingly.
102. The amount of eligible expenditure will be reduced by the amount of the error and so the final amount of grant to be paid will be lower than expected. You will have to make up the difference because the lost grant cannot be included in later claims.
103. If you have any doubts about the eligibility of any expenditure you must check **before you incur the costs.**
104. Applicants must not:
- a) knowingly or recklessly provide false or misleading information in relation this grant.
  - b) obstruct an inspector or official.
  - c) refuse to provide information when requested to do so.

### **REPORTING AND MONITORING OF PROJECTS**

105. In ordinary circumstances monitoring will be undertaken using the following default approach (unless the risk-based assessment indicates another approach should be taken):
- a) Quarterly progress reports followed by review meetings (also usually undertaken quarterly but planned based on risk, to monitor the progress of the project against milestones and targets.
  - b) Quarterly progress reports will be accompanied by a financial breakdown, risk register and case studies as available.
  - c) On-going guidance around the content of claims and the process; and
  - d) Verifications to cover administrative, financial, technical and physical aspects of the project (as necessary).
106. It is a requirement that the progress of your project is monitored and its success evaluated following completion. You will be asked to provide a final report three months following completion on its performance, when the project will be evaluated against the objectives and targets set out in the approved application.
107. If the project should fail to meet these targets and, on the basis of progress actually made, would not have qualified for grant aid under the scheme, action may be taken to recover the grant paid.
108. It will be a requirement of the grant award that equipment purchased with the aid of a SMS – N2K grant and any buildings on which grant is paid, must be kept in situ, operational and in good repair, and used for the same purpose as set out in the original application, for five years from the project end date. This is to ensure the longevity of the project and to guarantee primary producers a lasting share of the project's benefits
109. A further monitoring form may be required to be completed two years and again five years following completion of the project. Site visits will be made on a percentage of the projects approved within five years from the project end date to ensure the applicant still has and is using the buildings and/or equipment purchased with the grant and that the business is performing as expected.
110. You must allow officials from the Welsh Government or their representatives to inspect the project at any reasonable time within this five year period. This may take the form of long term monitoring by Natural Resources Wales on the site.

## **END OF PROJECT**

111. All claims must be submitted to the Welsh Government by no later than 18 April 2021. All project activity must be completed in time for accounts and records to be audited and claims to be prepared and submitted by this date.

## **APPEALS PROCEDURE**

112. If an application is rejected, the reasons for rejection will be explained. We will be prepared to discuss any modifications which might be needed to make the project acceptable.
113. If an application is still rejected an appeals procedure will be established which will take the form of an oral or written submission to persons appointed by and independent of the Welsh Ministers.

## COMPLAINTS PROCEDURE

114. If you consider that we have failed to follow the correct procedure in the handling of your request you may wish to make a complaint in accordance with Welsh Government's Complaints procedure which is available by post or via the website at:

<https://gov.wales/complain-about-welsh-government>

## WHO TO CONTACT FOR FURTHER INFORMATION

*This section provides the contact point for any policy or general queries relating to the grant.*

115. Address

Environment Grants Team  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

**Email:** [sustainablemanagementscheme@gov.wales](mailto:sustainablemanagementscheme@gov.wales)

**Phone:** 03000 251566 / 03000 253655

## **ANNEX A - SUMMARY OF KEY WELSH GOVERNMENT POLICY TO CONSIDER**

### **Prosperity for All: the National Strategy**

Where applicable, grant applications will need to identify the ways in which the activity proposed will contribute to delivery against the following areas within **Prosperity for All**:

- Delivering a tangible shift in the provision of health and care services into communities shifting the emphasis to well-being;
- Support a substantial increase in people's physical activity through healthier lifestyles using Wales' significant natural resources;
- Helping to create and upgrade local facilities that bring people together such as green space, helping communities to take ownership of local assets;
- Building the capacity of communities as places which support better health and well-being;
- Building a sustainable relationship with the Voluntary Sector, based on the outcomes we want to achieve for communities and the right funding model to deliver them; and
- Supporting the delivery of social prescribing models.

### **Natural Resources Policy for Wales**

The national priorities in the NRP, and supporting themes in this scheme, set out to tackle the following national challenges for building the resilience of ecosystems, and opportunities where Wales' natural resources contribute across the Well-being goals and four areas in PfA and deliver in accordance with the ways of working and the Sustainable Development principle. They are all interconnected and manifest in different ways in different places. Therefore, they should all be considered in the context of place when developing a monitoring and evaluation framework.

As well as taking a place based approach, the challenges and opportunities should be addressed by taking actions through nature-based approaches and solutions (to support technological or engineered solutions which are not in scope of this grant fund).

### **National Challenges for building ecosystem resilience**

- Reverse the decline in biodiversity - develop resilient ecological networks
- Safeguard and increase our carbon stores in soils and biomass
- Maintain productive capacity - improve soil quality and biosecurity
- Support climate change mitigation and adaptation through ecosystem approaches
- Reduce noise pollution and pollution levels in our air and enhance air quality

Projects may also produce positive benefits and outcomes against the following national challenges as part of their wider proposed project delivery under the themes of action for this grant:

- Reduce the risk of flooding

- Improve the quality and ensure the quantity of our water

### **National Opportunities for Wales' natural resources to contribute across the wider well-being goals and support PfA/EAP**

- Supporting preventative approaches to health outcomes
- Supporting action to tackle health and economic inequalities
- Supporting community cohesion
- Supporting secure and stable employment

### **Ways of working**

Applications will need to demonstrate how their proposal will help deliver a range of multiple benefits. For activities which directly involve the management of natural resources and ecosystems, we would suggest that applicants should be able to demonstrate their delivery of their WFG Act requirements (the five ways of working), through applying the nine principles of the Sustainable Management of Natural Resources.

Where relevant, proposals should also seek to demonstrate how the project activity can strengthen the health and resilience of ecosystems and biodiversity in the identified area and what benefits this will result in to the community. The aspects of ecosystem resilience, as set out in the Environment (Wales) Act should be used to do this where possible.

### **Principles of Sustainable Management of Natural Resources:**

- a) **Manage adaptively** by planning monitoring, reviewing and where appropriate, changing action
- b) Consider the appropriate **spatial scale** for action
- c) Promote and engage in **collaboration and cooperation**
- d) Make appropriate arrangements for **public participation** in decision-making
- e) Take account of all relevant **evidence**, and gather evidence in respect of **uncertainties**
- f) Take account of the **benefits** and intrinsic value of natural resources and ecosystems
- g) Take action to **prevent** serious or irreversible damage to ecosystems
- h) Take account of the **short, medium and long term consequences** of actions
- i) Take account of the **resilience of ecosystems**, in particular:
  - Diversity within and between ecosystems
  - The connections between and within ecosystems
  - The scale of ecosystems
  - The condition of ecosystems
  - The adaptability of ecosystems

## IMPROVING THE RESILIENCE OF ECOSYSTEMS

**Improving the resilience of ecosystems requires understanding or mapping places in terms of their contribution to the following aspects of ecosystem resilience:**

**Diversity** – not only biological diversity but also geological and physical. Generally speaking, more diverse ecosystems (biophysical and, to an extent, social and economic) are more resilient to external influences and their impacts.

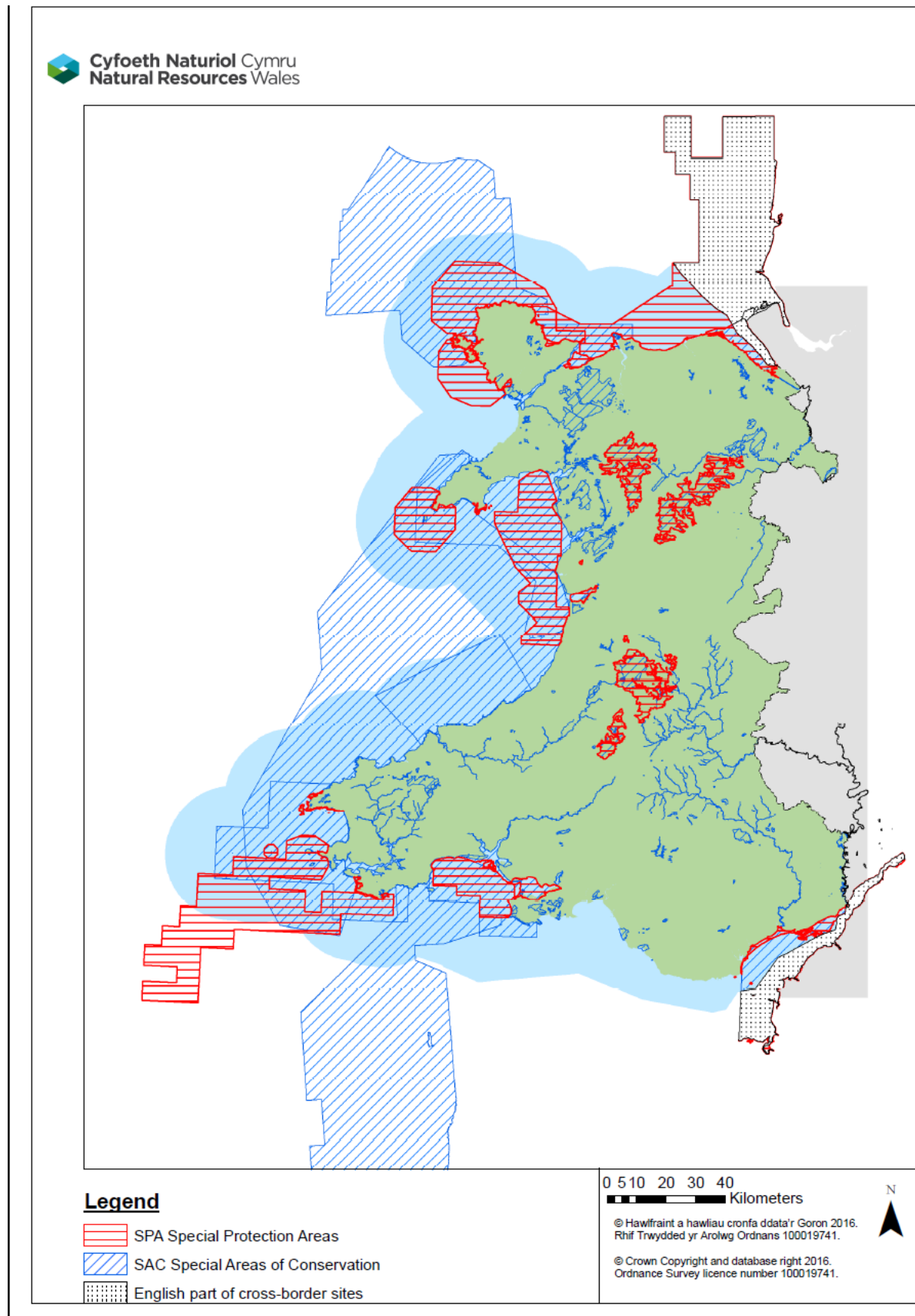
**Connectivity** - within and between ecosystems facilitates the movement of genes, species and ecosystem components such as water across landscapes, allowing ecosystems to function effectively and to adapt spatially, for example in response to climate change. This however needs to be considered against the potential negative aspects of connectivity in terms of disease and fire where a degree of modularity may be preferable.

**Scale and Extent** - The bigger the ecosystem extends, without fragmentation, the more resilient it is likely to be. For example while small patches of habitat are valuable, especially as part of larger mosaics, smaller, fragmented habitats are more influenced by edge effects which impact on the unique biodiversity and ecosystem services provided by those habitats.

**Condition** – The underpinning supporting services of ecosystems need to be in a healthy condition to function effectively, to deliver a range of important ecosystem services. Measurement and interventions based for example on species, ecological roles and functions and flows of nutrients can be undertaken, however the provision of ecosystem services –particularly provisioning and regulating services can be a good indicator of condition.

As an outcome of the above, the overall **adaptability of ecosystems** invites specific consideration of the adaptive cycles which many ecosystems undergo -understanding that ecosystems are not static entities and will change over time. The key consideration is whether the ecosystem in question will adapt and change in the desired direction given future environmental, and socio economic changes and demands such as climate change.

## ANNEX B – NATURA 2000 SITES OF WALES



## **ANNEX C - EXAMPLES OF POSSIBLE PROJECT ACTIVITIES**

It is important for potential projects to contact NRW regarding the potential project and the activities, The SMS – N2K will support landscape-scale capital investment delivering action to improve the condition of Natura 2000 sites. More specifically, actions to improve:

- a) natural resources in a way that delivers wider benefits to surrounding communities and landscape;
- b) biodiversity and,
- c) ecosystem resilience to climate impacts.

These include land management actions and capital works such as:

- habitat creation or restoration to improve connectivity
- strategic hedge and tree planting. This also includes outcome led boundary amendments, field boundary buffers, buffer strips, existing hedge and dry stone wall restoration
- better located and managed woodlands and trees. This may include where applicable tree removal.
- soil management best practice through good tillage and sustainable grazing practices together with hedge and tree planting to control the source or movement of potential pollutants and sediments (including nutrients from fertilisers and manure, sediment from run-off, bacteria from manure and livestock and pesticides from treatment application and disposal).
- improving drainage, water flow and reducing surface water run-off. Where applicable this can include pond creation, 're-meandering' of water courses.
- rewetting and restoration of peat soils including grip and ditch blocking, scrape creation, revegetation.
- biosecurity measures.
- removal of invasive species and the control of scrub and bracken; including flail mowing, scrub thinning
- sustainable grazing measures and/or targeted mowing to directly improve habitat restoration
- conservation translocation
- measures to improve biosecurity and animal health and welfare whilst reducing livestock impact to N2K sites. Examples may include fencing, stock bridges, gates, cattle grids.
- forest management planning.
- works to improve the features of a landscape to keep the area's sense of place e.g. hedgerows, trees, earth banks and historic features or landscape character.
- action to improve diversity and extent of outdoor recreation facilities.



- activities that help address landscape crime – including arson and fly-tipping. Examples include target hardening, automated surveillance, fire breaks, improved access tracks and signage.
- actions to ensure the long term survival of historic environment features (e.g. waterways, water meadows), archaeological features and historic building (planning costs).
- action to restore marine habitats and species.
- restoration of intertidal habitats allowing natural recovery including beach nourishment and waste removal
- the restoration and protection of sand dunes and creation of intertidal habitat.
- Capital works to reduce damage from social economic activities on marine sites such as environmentally friendly moorings
- replanting seagrass and enhancing existing seagrass beds
- Improve or create appropriate recreation facilities that respect marine habitats and reduce the pressures in N2K marine sites
- development of interpretation materials and visitor information (e.g. habitats and species, ecosystem services and historic environmental features).
- actions and works to improve permissive public access including the upkeep and introduction of additional permissive access (not existing statutory rights of way network).

## ANNEX D - ELIGIBILITY CRITERIA AND SCORING

The table below sets out the criteria that will be assessed in the application; the range of scores that will be utilised and the weighting that will be applied to calculate the final assessed score. Weighing is used to assign an order of importance to the defined criteria. A description of what is required for each of the criteria is provided in the main body of the guidance. Further instruction is provided within the application form.

	<b>Selection Criteria</b>	<b>Score</b>	<b>Weighting factor</b>
<b>A</b>	Clear, demonstrable benefits to an Natura 2000 site	0-5	x 5
<b>B</b>	Value for Money	0-5	x 4
<b>C</b>	Ability to deliver within the timeframe and utilising capital funds	0-5	x 3
<b>D</b>	Application of the principles of sustainable management of natural resources (SMNR) to the design and delivery of the project, with specific reference to Resilience, Benefits and Long term sustainability	0-5	x 3

## Scoring System for Grant Applications

Grant applications will be assessed under each of the headings above using the following scoring system:

Capability	Evidence Provided	Score	Remark
The information provided in the grant application is sufficiently clear and robust to demonstrate confidence in delivery.	The content is consistent, comprehensive, compelling and directly relevant to the grant scheme in all respects and is highly credible.	5	<b>Absolute Confidence</b>
	The content is sufficient (in qualitative terms), convincing, and credible.	4	<b>Confidence</b>
The information provided in the grant application demonstrates a small risk to delivery.	There are minor gaps in the content, or to a small extent it is unconvincing, lacks credibility or relevance to the scheme.	3	<b>Minor Concerns</b>
The information provided in the application demonstrates a moderate risk to delivery.	There are moderate gaps in the content and therefore it is unconvincing.	2	<b>Moderate Concerns</b>
The information provided in the grant application demonstrates a significant risk to delivery.	There are major gaps in the content, it is unconvincing in many respects, it lacks credibility, and/or it is largely irrelevant to the scheme.	1	<b>Major Concerns</b>
The information provided in the grant application demonstrates that the project is not capable of being delivered as described	The content is misleading, irrelevant or ineligible.	0	<b>Not acceptable</b>

**No application will progress which scores less than the minimum quality threshold of 45**

A 0 score in any of the criteria will prevent the application from progressing

## ANNEX E - CAPITAL FUNDING

### Introduction

This annex determines how the SMS – N2K capital funds may be utilized.

### Current distinction between Capital and Revenue

The current 'Green Book' classifications are;

- a) **Resource/Revenue** spending is money that is spent on day to day resources and administration costs. Revenue expenditure relates to ongoing costs. These may include the amounts spent on repairs and maintenance, selling, general administrative expenses, staffing etc.

**Capital spending** is money that is spent on investment and things that will create growth in the future. Capital expenditure relates to investing in a long-term asset such as equipment or buildings using a time bound investment. Examples of capital expenditure could include the amounts spent to significantly improve assets such as land, buildings, equipment.

### Nature as a capital asset

Nature is an asset. Work to halt and reverse the decline in nature, can be classed as capital expenditure in Wales because;

- Nature is our greatest asset, it underpins everything we do now and in future, as a society.
- Nature is an asset that will create growth in the future
- Nature is a permanent asset, it is there for this and all future generations.
- It secures the well-being of future generations'.
- Capital includes work to invest in, restore, enhance and acquire natural assets

Acquiring, restoring and enhancing nature is therefore a capital programme.

- Capital expenditure relates to investing in, restoring, enhancing or acquiring nature for the benefit of future generations.
- Nature has been allowed to fall into 'disrepair' (called unfavourable status) this needs to be rectified on a local and national scale, restoring nature is a capital investment, just as restoring a building is capital expenditure.
- Restoring nature is a process that takes many years, to deliver such a capital project can take 5 years.
- Once a natural asset is created, possibly over a 5 year period, it then needs to be maintained (just like a man-made asset),
- Examples of capital expenditure include the amounts spent significantly improve nature such as removing existing use and

restoring nature, creating spaces for nature, planting and replanting, change of use, change of management approach, investment in expertise, training and knowledge about nature.

## **Classification of a capital programme**

These assets are created for the benefits of the people of Wales. The assets created will need to be maintained sustainably in the future, once the capital investment to create and establish them has concluded.

When taken as whole across the programme, the improvement of Natura 2000 sites can be viewed as capital assets. Activities within projects within the SMS – N2K programme will be delivered during its duration and aggregated to the programme level, these are all viewed as capital expenditure.

In terms of capital costs within each project/activity that form part of the overall programme:

- Buying machinery is capital. People also need to be trained to use it. In the funding year capital also includes operatives and fuel. These create the asset that then needs to be maintained on-going. Therefore if presented as a package, they represent a capital cost as part of delivering the asset being created.
- One fork/trowel/spade/tree/bulb or plant is usually considered to be a revenue cost rather than capital. However, investing in the creation of a woodland within an N2K site is capital, as it creates a clear asset for the future. For the purposes of this SMS - N2K programme where numerous plants/bulbs trees are planted across the SMS N2K projects all over Wales, it creates a number of local assets particularly when aggregated up to a programme level. Similarly, the purchase of equipment required for delivery at scale to deliver an asset is also capital expenditure.
- The costs of replacing fences to protect and enhance areas for nature will support delivery of the asset and therefore considered as capital costs in the same way as wider capital assets
- When a natural asset is first planted it can take up to 5 years for that asset to be viable (for example if you plant a tree, it needs to be nurtured to maturity say 5 years before it is sustainable), This work called sustainable management, monitoring and remediation / restoration, rolling development, is treated as capital. It is entirely different from maintenance or general upkeep of an existing asset, which is revenue
- The cost of clearing a site and fencing it off or planting where the cost includes not on just the material but the cost of the labour required to establish the asset.
- Clearing an area to create, increase or enhance the value of the asset (could be wildflower meadow, nature reserve, verge, public open space, forest, brownfield site etc). This may include removing some vegetation if there are clear reasons to do so and planting new vegetation to ensure the right type of vegetation is in the right place etc. This this would all be considered a capital cost, particularly when aggregated across a programme.
- Clearing invasive species, contamination or debris to create a place for nature, which is then replanted to become an asset is all capital.

## Delivery

### Delivering the capital grant scheme:

- Based on precedents set through the ESF and ERDF programme, approx. 10% of the total award to an organisation can be used to manage/ administer the project from within the capital allocated.
- Any costs associated with bringing the asset into use can be capitalised;
  - We can capitalise an element of the administration because the 'programme office' is part of the project; the project manager, office staff,
  - Staff on the ground undertaking a project are also part of the project as is training of staff to undertake the work.
- "Ongoing maintenance" of any living asset is revenue, because it doesn't increase the value of the asset, so replacing living assets and ongoing maintenance of living assets must be revenue
- If the asset is now dead, then it has no value and removing it and replanting is capital
- If a building needs a new roof (because the roof is not fit for purpose, it leaks), then it is capital. So if a natural asset is not fit for purpose, it has a reduced value, bringing that asset up to a higher standard is capital. With this in mind:
  - A Natura 2000 site is in unfavourable status, work to bring it up to favourable status is capital
  - A peat bog has drainage channels, to fill them in and restore the bog is capital.
  - An natural asset has been degraded (incorrectly mown, wrong type of plants/trees, concrete, water supply disrupted, etc.) restoring it is capital

## **Work at UK level on natural assets**

Our thinking in WG is not in isolation, various UK Government Departments have been exploring natural capital.

### **ONS**

The ONS are working on natural capital accounts

<https://www.ons.gov.uk/economy/environmentalaccounts/bulletins/uknaturalcapitalaccounts/2019>

### **DEFRA**

DEFRA are looking into natural capital accounting and how to assess the societal and economic benefits of maintaining and improving natural capital across the UK. They are looking at the practical use of natural capital approaches.

### **UK Natural Capital Committee**

The Natural Capital Committee advises the UK government and has published significant volume of guidance

